



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN 1186 (1951)

April 26, 1985

SUBJECT: Office of the Inspector General
Audit (04099-159 At)
Servicing Delinquent Farmer Program Accounts
(Reamortize, Reschedule, Consolidate, Defer)

TO: State Directors, Farmer Programs Chiefs,
District Directors, and County Supervisors, FmHA

PURPOSE/INTENDED OUTCOME

The purpose of this Administrative Notice (AN) is to advise you about the recent Office of the Inspector General (OIG) investigation of the Farmers Home Administration's (FmHA) use of rescheduling, reamortization, consolidation, and deferral authorities in servicing delinquent Farmer Program loan accounts and the discrepancies found.

The investigation disclosed that:

1. FmHA loan officials were reamortizing and rescheduling delinquent Farmer Program borrowers' loan without making sure that all of the "general requirements" set out in FmHA Instruction 1951.33(b) were met.
2. Delinquent loans were reamortized and rescheduled, granting the borrower lower interest rates without a determination and documentation that these servicing actions would improve the borrower's repayment ability.
3. Loan files of some delinquent borrowers did not show that rescheduling, reamortization, consolidation and deferral actions had been considered.
4. There was a lack of documentation in the case file that FmHA's lien position was considered prior to the rescheduling, reamortization, consolidation and deferral of the borrower's loans.
5. Typical year Farm and Home Plans were not completed in those cases where deferral authority was granted.

EXPIRATION DATE: April 30, 1986

FILING INSTRUCTIONS: Preceding
FmHA Instruction 1951-A



Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

IMPLEMENTATION OF RESPONSIBILITIES

The Attachment to this AN should be used as a guide whenever delinquent farmer program borrowers are being considered for reamortization, rescheduling, consolidation and deferral. When the review is completed, the Attachment should become a part of the borrower's case file.

All Farmer Program Chiefs should carefully review the servicing of delinquent farmer program loans and make sure that reamortization, rescheduling, consolidation and deferral authorities are being used when appropriate. This servicing activity should be an integral part of their operation reviews in accordance with FmHA Instruction 2006-M, "Evaluation Reviews."

County Supervisors will use the Checklist (Attachment A) as a guide in their delinquency and problem case reviews, and processing of consolidation, rescheduling, reamortization, and deferral assistance for delinquent borrowers. By using this checklist, the weakness found in the OIG investigation should not recur.

There will be no reports submitted to the State or National Office.

Dwight O. Calhoun
DWIGHT O. CALHOUN
Acting Associate Administrator

Attachment

Attachment A

Delinquent FP Borrowers Reamortization,
Rescheduling, Consolidation, Deferral Checklist

- ___ 1. For operating-type loans, documentation in the case file supports the decision that borrowers meet the general requirements set forth in FmHA Instruction 1951.33(b).
- ___ (a) Such action is not used in lieu of or to delay liquidation;
- ___ (b) Such action is not taken to only remove a delinquency;
- ___ (c) Such action is not taken to circumvent FmHA's graduation requirements;
- ___ (d) The borrower's account is not being serviced by OGC or the U.S. Attorney, and there are no plans to have the account serviced by either of these offices in the near future;
- ___ (e) the County Supervisor determines that the borrower is making satisfactory progress or will make satisfactory progress with revised repayment terms; and
- ___ (f) The borrower is cooperating in servicing the account and is maintaining the security.
- ___ 2. An annual analysis has been conducted in accordance with FmHA Instruction 1960-A, Section 1960.12.
- ___ 3. Attachment 1 in AN 113(1960) has been used to justify continued assistance to the borrower.
- ___ 4. The borrowers received Form FmHA 1924-14, "Farmer Program Borrower Responsibilities," showing that the borrowers were advised of the loan servicing authorities.
- ___ 5. A typical year Farm and Home Plan has been completed in those cases where deferral authority is used.
- ___ 6. The FmHA lien priority and for operating-type loans, the value of the security has been reviewed.